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MEMORANDUM FOR: Acting Director of Central Intelligence

SUBJECT: GEHA Life Insurance Coverage

Paragraph 6 of this memorandum contains recommendations for approval of the Acting Director of Central Intelligence.

1. ISSUE. The Agency ~~representatives~~ take the position that the GEHA life insurance coverage, including that with the Omaha company, is available to all employees of the Agency no matter what hazards are involved in their assigned duties. The Board of Directors of GEHA takes the position that where the missions assigned are extra-hazardous in their nature the Agency should take the burden of the insurance coverage. While this issue arose in connection with one particular project, its resolution is of general application to the Agency's activities. The Agency ~~representatives~~ and the Directors of GEHA have been unable to resolve it, and it is, therefore, referred to the Acting Director of Central Intelligence for decision.

2. HISTORY.

a. The Government Employees Health Association, Inc., (GEHA) was established by the Agency to develop an insurance program for Agency employees which would meet the Agency's requirements both for coverage and for security. *GEHA* The corporation was authorized to enter into contracts for insurance of ~~the~~ membership of GEHA as a group. Under its charter, any employee of CIA may become a member, but each person eligible must make application for membership and the Board is authorized to accept or reject any such application. Agency Notice 20-660-19 states in paragraph 2

*of Directors of GEHA*

that GEHA announces that it is offering a new life insurance policy which can be purchased by "all Agency personnel."

b. The present GEHA insurance program is the result of many, many months of study and consideration of all the Agency's problems by Task Forces, appropriate staffs, the Career Council, and the Director. One of the crucial problems was that of compensating individuals assigned to hazardous missions. A decision was made that no additional compensation would be awarded for such missions and that the most satisfactory solution would be appropriate insurance coverage.

c. Insurance is normally considered to be a matter for each individual to solve. In our case, two circumstances made it impossible to obtain satisfactory coverage through normal private policies. First, there were serious security problems in Agency employees obtaining private insurance, and, secondly, the hazardous nature of the duties involved might well void the ordinary private policy. During the war this problem had been met in part by the formation of the War Agencies Employees Protective Association for those civilian employees of the Government who ran war risks which might void their regular policies. WAEPA continued after the war and provided a partial solution, but the benefits were not satisfactory and complete security was not achieved for all cases. After considerable investigation, ~~(negotiations were begun for)~~ <sup>was negotiated</sup> a contract with United Benefit Life Insurance Company of Omaha (UBLIC), although since negotiations were through the officials of Mutual of Omaha this is normally called the Omaha policy. Omaha was agreeable to two key security considerations. First, all names of applicants would be filed with GEHA, Inc., ~~only~~ with an identification number assigned to each application so that only these identification numbers would be reported to Omaha together with the age, color, sex, and date of insurance, and the amount of insurance. <sup>secretly</sup> In the event of death, GEHA could certify to the death of a protected person by the number assigned to the application and to the circumstances of death, that is, whether accidental or natural. Furthermore, upon request of GEHA, Omaha would pay claims to any legal entity upon certification by the deceased's estate that payment had been duly made under

the terms of the policy. GEHA could retain such certification until it saw fit to release it to Omaha. This appeared to satisfy our operational security problems, and the terms of the contract appeared to be satisfactory for our purposes. Paragraph 2 a. of Agency Notice 20-660-19, which deals specifically with the new United Benefit Life Insurance (Omaha), says "This new term life insurance . . . may be purchased by members of GEHA who are Staff Employees, Staff Agents, or Contract Employees, or who are civilian or military personnel detailed to the Agency . . . ."

d. There were no exceptions except for the death of a protected person who is a member of the military or the naval service of this or any country resulting from an act of war, whether declared or undeclared. Double indemnity will be paid for accidental death except under certain circumstances stated in the contract, which included all members of aviation crews. <sup>from the double indemnity portion</sup> At the time of negotiating the contract, Omaha was on notice that from time to time certain individuals or groups of individuals who would be protected under the policy would be engaged in unusually hazardous activities. Omaha was assured that this would be a relatively small portion of the total personnel to be covered, but no commitments were made as to any exact portion. Omaha did not request any exceptions in regard to such hazardous assignments, and none but the one concerning acts of war noted above are written into the contract. Provision is made to accumulate certain reserves out of premiums paid by GEHA and for dividends to be paid to GEHA by Omaha after their charges and deductions for reserves have been met. An initial premium was established, but it was made clear that premiums might vary upwards or downwards depending on experience over the years.

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others*

### 3. EXPERIENCE.

OMAHA

a. The contract with ~~WARRA~~ became effective the 29th day of July 1954. In ~~that~~ Fiscal Year 1955 premiums amounted to \$78,000 and there were two claims, one for \$9,000 and one for \$15,000. In Fiscal Year 1956 contributions amounted to approximately \$131,000 and there were three claims, one for \$15,000, one for \$18,000 (a double indemnity), and a third for \$15,000, which was the one raising the question presented in this paper. In 1957

it is contemplated that about \$130,000 will be contributed and two claims have arisen of exactly the same nature as the one creating the subject of this paper.

b. In passing on applications it has not been necessary for the Board or officers of GEHA to know the nature of ~~the~~ any project involved or the duties of ~~the~~ individual. However, the first of the three controversial deaths, because it was an aviation pilot accident, came to the attention of the Board, a few members of which were familiar with the project involved. The Board thereupon expressed concern at coverage for personnel of this project on the grounds (1) that they were not "true" staff employees of the Agency and (2) that they were engaged in very hazardous activities for which coverage had not been contemplated in the GEHA program. The matter was taken to the Career Council, which instructed GEHA to honor the applications up to approximately 30 in number and if another death occurred to return to the Career Council for further consideration of the matter. The Board of GEHA then asked for consideration of a suggestion that the Agency pay to GEHA an amount equal to the claims paid for such extra-hazardous activities.

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agreed to

c. On the two subsequent pilot deaths the Board of GEHA stated it would not approve any more applications for this project and took the position that the Agency should indemnify GEHA by one means or another. Rather than return to the Career Council, the Agency Representatives believed it appropriate to refer this matter to the Acting Director for decision.

#### 4. THE LEGAL QUESTION.

a. One of the reasons for establishing the GEHA life insurance program rather than establishing a system of death benefits payable directly by the Agency arose out of the impingement on benefits payable by the Bureau of Employees Compensation. The Federal Employees Compensation Act provides very valuable benefits to the spouse and children of any employee killed in performance of duty. The Act specifically provides, however, that individuals must elect either the remedies available under the FEC Act or the payments or benefits to which they may be entitled under any

~~SECRET~~  
other act. In effect then, if the Agency were to set up a system of death benefits directly payable by it to the employee's beneficiaries, the question is raised to what extent that would affect the benefits payable by EEC.

b. Several months earlier General Counsel had discussed a number of similar questions with the BEC. It is now clearly established that if the Agency pays the premiums for insurance for employees their rights under BEC are not impaired. The BEC has, however, officially advised the Agency that it would be compelled to offset against its payments anything received by the beneficiaries of an employee as a matter of right from other Federal entities including CIA. In view of the GEHA position, the General Counsel has asked the BEC if their ruling would be the same and the beneficiaries' rights would be impaired if payments were made not as a matter of right to the beneficiaries but were made on a determination after death that it would be in the national interest to make such payments either <sup>directly</sup> to the beneficiaries or to GEHA to hold it harmless for payments already made to the beneficiaries. BEC has stated that this is a new question which they have referred to the Solicitor's Office in the Department of Labor. No response has been received up to this time. Since a possibility remains that beneficiaries' rights under BEC might be impaired, General Counsel has recommended against any commitment to indemnify GEHA in cases arising under the project in question, at least until a BEC ruling is received.

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## 5. AGENCY POSITION.

a. The Agency ~~representatives~~ believe that for the life insurance program to be responsive to the Agency's needs, it must meet in all respects the requirements both for coverage and security. As to coverage, it would seem that the program would be incomplete if coverage were not a matter for determination by the Agency rather than by the Board. Presumably the higher the proportion of people engaged in hazardous activities, the higher the mortality figures that can be expected, with a resulting possible increase in premium rates. Under these circumstances, those engaged in departmental duties where no particular security aspect arose could withdraw from GEHA's program and take out commercial policies. Chances are, however,

that GEHA will afford a cheaper coverage than the individual can obtain commercially.

b. If the philosophy were adopted that the aim of GEHA is to obtain the lowest rates possible and the biggest dividends by elimination of the so-called hazardous and extra-hazardous categories, the logical result would be very cheap coverage for permanent departmental personnel and no coverage whatsoever for those engaged in the more dangerous missions of the Agency. This would appear to be a complete perversion of the original aim of the GEHA program.

c. Possibly more serious in its consequences to Agency operations is the security problem involved. If GEHA coverage is to be general, as we believe the original and proper concept to be, there is no need whatsoever for the GEHA Board or officers to be given any information pertaining to the applicant's duties or the project with which he is concerned. If, however, the Board is authorized, for the protection of premiums and dividends, to eliminate or make special arrangements for hazardous categories, it would appear that they would have the right to request full information on the nature of projects and the duties of employees assigned to potentially dangerous missions. Even though the officers and Directors concerned are senior responsible officials of the Agency, such a revelation of covert operations would appear to be in violation of all the Agency security standards.

## 6. RECOMMENDATIONS.

a. That GEHA be instructed to accept on equal basis all applications from employees of the Agency declared eligible by formal Agency policy;

b. that ~~transactions~~ with Omaha or other companies involved with GEHA be conducted strictly in accordance with the terms of the contracts involved without discussion of any operational or other factors arising out of Agency activities;

c. that in the event of decease of a person protected under the Omaha policy no information be given to Omaha by GEHA,

without written approval from the Office of Security and any other Agency component directly involved in the activity in which the deceased was engaged.

H. GATES LLOYD  
Acting Deputy Director  
(Support)

Concur:

{ Personnel  
{ OGC

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